

THE INDEX

The Pacer US Export Leaders ETF Index (USD) (the “**Index**”) was created by Index Design Group (the “**Index Sponsor**” or “IDG”). The Index was established on May 28, 2015 with an Index closing level equal to 100.

The Index

The Index uses an objective, rules-based methodology to measure the performance of an equal weight portfolio of approximately 100 large- and mid-capitalization U.S. companies with a high percentage of foreign sales and high free cash flow growth.

The index is derived from the 900 stocks that constitute the S&P 900 Index. All Financials are excluded. For companies with multiple share classes, only the primary equity is to be included.

Security Selection

- 1) The initial universe is screened based on the average consensus forward year (FY1 and FY2) free cash flows and earnings estimates. Companies with negative values are excluded. If no forward year estimated values are available, the company will be included. FY free cash flows and earnings estimates are consensus third party analyst estimates sourced from FactSet Estimates databases.
- 2) The initial universe is screened for the 200 companies that have the highest annual foreign sales as a percentage of total sales. If the most recent annual foreign sales data is not available, then the previous fiscal year data will be used.
- 3) These 200 companies are then narrowed to the 100 companies with the highest change in Trailing Twelve Month (TTM) Free Cash Flow Growth.
 - Free Cash Flow is defined as TTM Cash from Operations less TTM Capital Expenditures. If TTM data is not available, then the most recent fiscal year data will be used.
 - Free Cash Flow Growth is defined as the rate change in TTM Free Cash Flow. The rate of change is calculated using the most recent TTM data and the TTM 5 years prior.
 - All data points will be in US Dollars
 - All fundamental TTM data points are quarterly. If quarterly TTM data is not available, then semi-annual TTM data is used. If semi-annual TTM data is not available, then the most recent fiscal year data is used.

Index Construction

The index is reconstituted and rebalanced quarterly. Each quarter, the initial universe is screened on annual foreign sales as a percentage of total sales and the remaining securities are ranked by their Free Cash Flow growth. The top 100 ranked securities constitute the fund for the quarter. These 100 securities are then equal-weighted.

For post-inception performance, the reference date for locking in shares based on the annual foreign sales screen and Free Cash Flow growth rankings will be captured the close of the 2nd Friday of each rebalance month (March, June, September, and December). The rebalance is effective at the close of the 3rd Friday in March, June, September, & December.

For calculation of pre-inception data, the reference day is the last business day of the quarter. The effective rebalance date is also the last business day of the quarter (March, June, September & December).

From time to time, the Index may include more or less than 100 companies as a result of events such as acquisitions, spin-offs and other corporate actions.

Index Data Source

Fundamental and pricing data used to reconstitute and rebalance the Index will be sourced from the FactSet database. All FactSet data points will be compared with Bloomberg data in order to quality check the numbers. Any outliers will be evaluated by the index committee.

Index Review

- **Pacer US Export Leaders pro forma reference date:** All data points, including any fundamental data downloads, will be captured Close of the 2nd Friday of each Rebalance Month (March, June, September, and December). Prices will be used as of this date to weight the index and calculate index shares.
- **Indicative Review Files** to be provided from close on the following Wednesday through the following Friday of the pro forma reference date.
- **Pacer US Export Leaders rebalance date:** The index will rebalance at the close of the 3rd Friday of each rebalance month (March, June, September, and December) effective for the open on the following Monday.

Index Availability

- **USD Price Return:** available real time
- **USD Total Return:** available end of day

Formulas

$$\text{Free Cash Flow Growth} = \frac{\text{Free Cash Flow}_t}{\text{Free Cash Flow}_{t-5}} - 1$$

t = most current TTM

Foreign Sales as a % Total Sales

$$\text{Foreign Sales \%} = \frac{\text{Total Non US Annual Sales}}{\text{Total Annual Sales}}$$

Index Calculation Agent

S&P Dow Jones Indices or another party designated by the Index Sponsor, will act as the calculation agent for the Index (the “**Index calculation agent**”) and will be responsible for calculating the level of the Index using the Index Methodology published by the Index Sponsor. The Index Sponsor will be the final authority on the Index and the interpretation of the Index Methodology.

The Index calculation agent will calculate the Index Level for each Index business day. The Index Level will be displayed on Bloomberg page “X” (or on any successor page) as soon as possible after market close (New York City time) on each Index business day. Intraday Index levels will be published by the Index calculation agent via the BATS Exchange under ticker symbol “PEXL” The Index Level will not be published on any day on which the Index Level is not calculated, whether because such day is a disrupted day (as defined under “—Index Disruption Events” below) or otherwise. All numerical values for the Index will be rounded to fifteen decimal places.

In the event that the Index calculation agent or the Index Sponsor determines that a material error has occurred in the calculation of the Index, the Index calculation agent, having consulted, or having been consulted by, the Index Sponsor, will endeavor to correct such error on a date agreed to by the Index Sponsor. If a material error is corrected, the Index

Sponsor will apply the correction from the relevant date forward.

Index Disruption Events

If, in the opinion of the Index Sponsor, any Index business day is a disrupted day (as defined below), the Index Level will not be published on such Index business day and will instead be calculated and published by the Index calculation agent on the next succeeding Index business day that is not a disrupted day, as determined by the Index Sponsor in good faith and subject to the index disruption fallbacks described under “—Index Disruption Fallbacks” below.

A “**disrupted day**” means any Index business day on which:

- any Exchange fails to open for trading during its regular trading session;
- an index disruption event (as defined below) occurs; or
- an Index adjustment event (as defined under “—Index Adjustment Events” below) occurs.

An “**index disruption event**” means the occurrence or existence of any of the following events if, as determined by the Index Sponsor, it has a material impact on the Index:

- it becomes impossible, on a certain Index business day, to obtain a closing level or any other price level for any component of, or instrument that is referenced by, the Index (a “**price disruption**”);
- any suspension of, or limitation imposed on, trading by any Exchange or otherwise, and whether by reason of price movements exceeding limits permitted by such Exchange or otherwise (a “**trading disruption**”);
- any event (other than an early closure, as defined below) during the one hour period that ends at the regularly scheduled close of trading for the securities comprising the Benchmark Index that disrupts or impairs (as determined by the Index calculation agent and/or Index Sponsor) the ability of market participants to effect transactions in, or obtain market values for, any component of or instrument that is referenced by the Index (an “**exchange disruption**”); or
- on any Index business day and in respect of any instrument or component referenced by the Index, the closure of any Exchange prior to its scheduled closing time, unless such earlier closing is announced by such Exchange at least one hour prior to the earlier of (a) the actual closing time for the regular trading session on such Exchange on such Index business day, and (b) the submission deadline for orders to be entered into the Exchange’s dealing system for execution on such Index business day (an “**early closure**”).

Index Adjustment Events

The Index Methodology may be adjusted, amended, deleted or otherwise altered by the Index Sponsor at any time, acting in good faith and with the consent of the Index calculation agent, if the Index is no longer calculable in accordance with the Index Methodology (any event or condition giving rise to the right to so adjust, amend, delete or alter the Index, an “**Index adjustment event**”). Such adjustments may include, but are not limited to, adjustments required for clarification or for minor or technical reasons (including, without limitation, to correct any manifest or proven error or to cure, correct or supplement any ambiguity or defective provision contained in the Index Methodology).

Index Disruption Fallbacks

If (a) five consecutive Index business days are disrupted days, or (b) the Index Sponsor determines that (i) there is a discontinuation in the publication of prices for any component of or instrument referenced by the Index, (ii) the use of any component of or instrument referenced by the Index has become prohibited, (iii) the sponsor of any component of or instrument referenced by the Index has changed the specifications of such instrument or component, (iv) any component of or instrument referenced by the Index is modified or changed in any other way (except for a previously announced modification), or (v) any component of or instrument referenced by the Index has been or is likely to become terminated, then the Index Sponsor will, in consultation with the Index calculation agent, have the right to:

- accept the closing level of any component of or instrument referenced by the Index published on any alternative price source;
- if no alternative price source is available, select a substantially similar component for the Index or instrument to which the Index can be linked;
- if no alternative price source or similar instrument or component is available, adjust, amend or otherwise alter this description of the Index; and
- if none of the foregoing will achieve the objective of the Index as set forth above, permanently cease to calculate and/or disseminate levels for the Index.

Termination of the Index

The Index Sponsor may, at any time and without notice, terminate publication of the Index and proceed to ask the Index calculation agent to cease the calculation and dissemination of the Index.

Change in Index Methodology

No assurance can be given that fiscal, market, regulatory, juridical, financial or other circumstances (including, without limitation, any changes to, or any suspension or termination of any components for which values must be determined in relation to the Index) will not arise that would, in the determination of the Index Sponsor, necessitate or make desirable a modification of, or change to, the Index Methodology.

Any change to, or modification of, the Index Methodology may be outside the technology employed by the Index calculation agent, and thus the Index calculation agent may not be able to calculate the Index following such change or modification. In such event the Index Sponsor may, in its sole and absolute discretion, appoint a successor Index calculation agent.

Disclaimer

Although the Index Sponsor obtains price and return data from sources that it considers reliable, for example for the Benchmark Index, the Index Sponsor will not independently verify such data, and neither does it guarantee the accuracy and/or completeness of any data included in this description of the Index, nor the accuracy of any Index Levels.

The Index Sponsor is under no obligation to advise any person or entity of any error in the Index (but may do so in its sole and absolute discretion). References to the Benchmark Index is included only to describe the components upon

which the Index is based. The Index is not in any way sponsored, endorsed or promoted by S&P or any Exchange.

IDG owns all intellectual property rights to the Index and this description of the Index. This description of the Index has been supplied by IDG. Any use of any intellectual property rights must be with the consent of IDG.

Background on the Index Components

Benchmark Index

We have derived all information contained in this index methodology regarding The Pacer US Export Leaders Index and the S&P 900 Index (the “**Benchmark Index**”), including, without limitation, their make-up, method of calculation and changes in their components, from publicly available information. Such information reflects the policies of, and is subject to change by, S&P Dow Jones Indices.

The Benchmark Index is widely distributed under the ticker symbol **SPTR900**.

Corporate Actions and Events

A Corporate ‘Action’ is an action on shareholders with a prescribed ex-date. The share price will be subject to an adjustment on the ex-date. The index will be adjusted in line with the ex-date.

A Corporate ‘Event’ is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index.

Full details of changes to constituent companies due to corporate actions and events can be accessed in the embedded excel attached.



SPDJI Custom Equity
Index questionnaire.)

For corporate actions, S&P rulings will be the default option. **Pacer will also have the option to change these corporate action rules by notifying S&P 2 days in advance of the event on actions to take.**

Option 1, Standard corporate actions treatment	Always follow the parent index for drops. There will be no intra quarter adds until the next	*Select approach (click on cell A4 to see options)
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	rebalance and instead have a divisor change.	
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STOCK EVENT TYPE	Standard SPDJI Treatment	Divisor Change	Same as parent treatment
Stock Forward/Reverse Split	Market cap neutral event. Shares change offset by price adjustment in the morning.	No	Yes
IWF Change	IWF increase/decrease has no impact on index shares as the AWF will adjust to offset the IWF change.	No	No because we lock shares so weights won't be impacted on the custom index.
Share Issuance	Shares outstanding increase/decrease has no impact on index shares as the AWF will adjust to offset the shares outstanding change.	No	No because we lock shares so weights won't be impacted on the custom index.
Standard rights treatment (mcap neutral) - default	If the rights are in the money, the spot price of the underlying security will be adjusted after market close of the day prior to the exDate and the index shares of the underlying security will adjust to offset the price adjustment thus making the event a market cap neutral event.	No	No because we lock the market cap so the weights won't be impacted on the custom index.
Special cash dividend (standard treatment)	The spot price of the underlying security will be adjusted after market close of the day prior to the exDate therefore triggering a divisor adjustment.	Yes	Yes
Delisting (due to bankruptcy or cancellation of listing)	The delisted security will be deleted from the company (at either the last traded price of a zero price).	Yes	Yes

Zero Price Spin-off (No Price Adjustment)	Our standard practice is that we follow a zero spin off treatment effective Oct 1 2015. No Price adjustment applied to the parent and instead the spunoff company is added to the index at price of zero and at the terms of the spinoff so it is marketcap neutral on the Ex-date (no divisor change). If the spin is determined to be ineligible for the index, it is dropped at the close of business on the ex-date (or after the first date the stock trades regular way) which will trigger a divisor adjustment due to the deletion.	Yes	No (only drops will follow the parent. There will be no intra-quarter adds until the next rebalance)
M&A (All types - Cash, stock acquisition, cash and/or stock acquisition)	The acquired company is deleted from the index. The acquiring company's weight will remain unchanged throughout the M&A event.	Yes	Yes

License Agreement

S&P Dow Jones Indices has entered into a non-transferable, non-exclusive license agreement granting IDG and certain of its affiliated or subsidiary companies, in exchange for a fee, the right to use the S&P 900, which is owned and published by S&P Dow Jones Indices, in connection with certain securities, including the ETFs.

The license agreement between S&P Dow Jones Indices and IDG provides that the following language must be set forth in all written materials including but not limited to; marketing material, prospectus, website, etc.

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